

PORTFOLIO MANAGEMENT -- EVOLUTION OR REVOLUTION?

**JUNE V. HUBER**

Assistant Commissioner

Office of Portfolio Management - PT

Like many who attended the recent Portfolio Management National Conference, I've spent a lot of time since then thinking about what I heard. Actually, it's hard not to, with all those workshop results and followup issues staring at me every morning from the left side of my desk while I drink that first cup of coffee. I've kept them there for just that reason -- so that I don't lose sight of the need to turn them into something that will be helpful to all of us, rather than just another set of conference notes.

I could choose any number of topics from the conference to write about, but one of the themes that keeps replaying in my mind comes from comments I heard at the conference about "old planners". They weren't derogatory comments, and they certainly had nothing to do with age (since many of the "old planners" were and still are quite young from my viewpoint). But they seemed to indicate a growing belief that some kind of revolution has occurred -- that planners are "out" and portfolio managers are "in".

Did a revolution occur? If you focus on today's most popular words -- "reinvention" and "reengineering" -- and the concept that gradual change is no longer enough to keep today's corporations or today's government in business, then the answer is yes. The old, familiar, slow method of change -- evolution -- just won't get us where we need to go fast enough to suit the Commissioner, or the Administrator, or OMB, or Congress, or the taxpayer. And yet, we cannot ignore the need for evolution as well. In most revolutions a new set of people replaces the old set of people in a position of authority. In our revolution the old set of people became a key part of the new set, and the entire organization must evolve into its new role.

In our own corner of the universe, we need to keep pace with the dramatic changes happening around us. The concept of portfolio management gives us a much broader scope of responsibilities than planning ever had -- what was once viewed as a support role is now a leadership role. Moreover, our stakeholders expect us to pick up and run with the ball much faster than is comfortable for some of us. We must rise to this challenge, even in the face of resistance from individuals or other parts of the PBS organization.

How can we do this? I think there are 2 things we can do in the short term that keep us moving in the right direction. First, we should take a look at our organization structure and decide whether we have integrated our new responsibilities together, or whether planning, asset management and other activities are still compartmentalized into separate units. I've come to realize that in Central Office we need to do a better job of integration, and this is something we will address in the very near future.

Second, we need to move ahead and develop asset business plans for our owned assets. The format we choose is far less important at this stage than the need to get started. By doing it we will -- of necessity -- get intimate with our own assets and their performance, and will have a better substructure for community and project planning. We will also get the other business lines involved in understanding and supporting our strategies and objectives. We cannot afford to wait until all the stars are in alignment and we have detailed guidance on what to do and how to do it. We will all make mistakes, and develop plans that can't be achieved, and get frustrated by the inability of our information systems to deliver accurate and timely data -- and we will learn much from it.

Evolution or revolution? In political systems, revolution occurs when there is a desire for dramatic change that the "old order" has not delivered. In natural systems, evolution occurs when a living thing is able to function more successfully than its predecessors. We've been faced with the first, and we need to keep working on the second. I think we're up to it.

COMMITTED TO COMMUNITY SERVICE

LeeAnn Kramer, Region 6 Asset Manager, has organized a Trick or Treat Gala at a Nursing Home near the GSA Regional Office. LeeAnn's group first visited the residents last summer during Kansas City's second CFC Day of Caring, a large scale volunteer effort which linked over 2,000 federal employees to 1,200 service agencies.

The GSA crew which visited the nursing home enjoyed the fellowship with the residents, and vowed to return. LeeAnn and Marsha Green, a Commercial Broker Leasing Assistant, have produced a worthy Halloween production where GSA workers will conduct a sing a long as well as present brief performances. After that "trick" they will "treat" the residents to Halloween goodies.

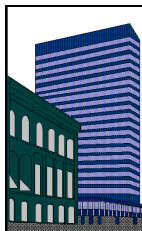
Philanthropic work has been a hallmark of the Kansas City staff even prior to the inception of the local CFC Volunteerism Day. LeeAnn and many of her co-workers visit a nearby elementary school several times during the year as part of our Partnership in Education Program. Workers help with computer instruction, field trips, vocational information and provide role models as well as motivation for the students.

This article was submitted by Jim Ogden, Region 6.



Vinita Canright and Joan Wissbaum, Region 6, were recently promoted to GS-13 Asset Management Specialist.

CONGRATULATIONS!!!



FRANK PROUT

Frank Prout, Region 1 Portfolio Management Director, was awarded GSA's 1995 National Meritorious Service Award - Professional on September 28, 1995. Here is his brief profile:

Frank began his career with GSA in 1974 as the Executive Staff Assistant for the Boston Federal Executive Board. He worked with the Executive Board for eight years, making it a national model for interagency cooperation. After serving as the Regional EEO Officer for a year, he joined the Commercial Broker Division. Frank most recently managed PBS as the Acting Assistant Regional Administrator and is now the Director of Portfolio Management Division. His support of reinvention efforts and the re-establishment of Region 1 are among his many noteworthy contributions to GSA.

This article was submitted by Kathy Cooke, Region 1 Asset Manager.

PT'S ART-IN-ARCHITECTURE PROGRAM

An Art-in-Architecture commission was recently completed at the new U.S. Courthouse and Federal Building in Allentown, Pennsylvania by artist Jenny Holzer. Entitled *Allentown Benches: Selections from the Truisms and Survival Series*, the installation comprises fourteen green granite benches placed in the public lobbies of the building.

Selected as a medium for their dual role as artwork and seating, the benches measure 5' long, 1'5" high, and 1'6" deep. Green granite was chosen to complement and enhance the colors and materials used in the building. Each bench is inscribed with a selection of texts from Ms. Holzer's *Truisms* or *Survival Series*.

Both thought-provoking and meditative, the inscriptions offer a sampling of opinions, showing competing sentiments and conflicting truths. Ms. Holzer believes that these texts are well-suited to the courthouse because, like people who come before a Judge, they present ideas which the speaker believes to be true. Readers must then interpret these "truths" and draw their own conclusions. Ms. Holzer's texts highlight contradictory beliefs and topics that may polarize people, while managing to stay impartial.

Since her first public project in 1979, Ms. Holzer's use of language has helped develop a new art genre. Her texts can be found in a variety of media, including: posters; T-shirts; LED signs; bronze plaques; painted signs; benches; and stone. She has exhibited her work at prestigious institutions around the world, and she has completed numerous permanent public installations. This latest commission adds to GSA's national collection of more than 190 works which enhance Federal buildings around the nation.

Submitted by Anja Levitties, Region 3, Asset Manager/Fine Arts Officer

COMMUNITY PLANNING PROCESS BUSINESS PROCESS REENGINEERING

At the beginning of calendar year 1997, the Office of Portfolio Management (PT) will be sponsoring a Business Process Reengineering (BPR) team to examine the Community Planning Process. The team may be located in Central Office with involvement from regional and Central Office employees, with an emphasis on regional PT employees or in a region as a laboratory with guidance from Central Office. The BPR may be conducted on a full time or part-time basis and may last up to six months. The basic structure for

the BPR has not been established and PT is soliciting regional suggestions to incorporate into the process.

The BPR will need to address a number of issues including:

1. how the community planning process should be developed,
2. how the process reflects GSA's initiatives and policies,
3. how in the current political environment of downsizing and budget reductions GSA should proceed with capital projects and reinvestment in existing assets,
4. what types of information will be included in the process,
5. how the process should best be used, and
6. how this process relates to the Enhanced Prospectus Development Studies, Asset business plans and the Capital Investment process.

If you have any questions or comments, or would like to volunteer, please contact Ted Davis on (202) 501-4791 or Joe Lawler on (202) 208-1108.

HIGHLIGHTS OF GSA BORDER STATION PROGRAM

“EFFECTS OF THE NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA) ON HIGHWAYS AND INFRASTRUCTURE”

Keep your ears and eyes attune to big headlines around mid-December. GAO will be releasing a study entitled “The Effects of NAFTA on U.S. Highways and Infrastructure.” The objectives of this study include whether U.S. highway safety and infrastructure could be affected in anyway by NAFTA and whether any efforts have been planned or implemented to help ensure the adequacy of U.S. border infrastructure at current and projected levels of trade.

The timing of this study’s release is interesting--December 15, 1995. There is a provision in NAFTA which goes into effect December 18, 1995, which will allow access of U.S. trucks into the 7 Mexican border states and access for Mexican trucks into the 4 U.S. border states (Texas, New Mexico, California, and Arizona). The study will primarily focus on the safety

of our roads following the opening of the border states to

Mexican trucks--whose safety standards are different than those of the U.S.

Although GSA is **NOT** the focus of this study, it is important to keep informed of border issues, as they may potentially have short- and/or long-term affects on our border station facilities. So, look for headlines around mid-December, just prior to the NAFTA implementation, concerning the dangers facing our highways of our border states and as to whether or not the U.S. is prepared.

For additional questions, please contact Karen J. Miller, Border Projects Coordinator, 202-501-1768



BORDER STATION JOINT TASK FORCE

In June of 1994, the Commissioner of the Public Buildings Service (PBS) of the General Services Administration (GSA) chartered a Border Station Joint Task Force to study the pricing of space and services for Border Station Facilities. The team’s primary focus was to examine the current Return On Investment (ROI) pricing methodology in an effort to both address agency concerns and ensure income to the Federal Buildings Fund (FBF) at levels necessary to maintain and modernize the current Border Station inventory.

In addition to the issues related to pricing of space and services, the agencies identified several problems and concerns germane to the Border Stations and their occupants. To assist the agencies in resolving these issues, the Task Force recommended that a Memorandum of Understanding (MOU) be developed establishing a Border Station Partnership Council (BSPC) by and between the GSA and the participating agencies. The BSPC will serve as the vehicle for discussion and resolution of common issues. Currently, a draft MOU is circulating for concurrence.

One important activity of the of the Council will be to review/coordinate/negotiate the “top-ten” priority lists submitted by each agency. As GSA will be represented on this council, we will have an opportunity to work with the inspection agencies on their priority list. We see this council as an improvement to the “top-ten” planning process.

Please contact Carrie Rozelle (202-501-1858) if you have any questions

DEMAND FOR NEW BORDER STATION FACILITIES ALONG THE SOUTHERN BORDER

With the passage of NAFTA, Region 7, in particular, has seen an increase in the number of cities along the border that are seeking new or additional bridges in hopes of expanding their opportunities for economic growth. For instance, two Presidential Permit applications were submitted in August 1995 by the city of Eagle Pass and the Port of Brownsville. The Presidential Permit process is a lengthy application procedure, which is coordinated and overseen by the Department of State. When a new border station bridge is desired by a

locality, a Presidential Permit signed by the Department of State is required. Although GSA has transmitted a positive response to Department of State for the Eagle Pass proposal, we have, up to this point, withheld our approval of the Port of Brownsville project, primarily because the addendum that the Port submitted made numerous inaccurate assumptions.

GSA is concerned about this increasing pressure from local communities and private developers for new bridges and stations along the border, especially in light of the limited funding for capital investments and our lack of authority to enter into lease-purchase arrangements with these promoters. Even though GSA has been willing to take a hard stance against these presidential permit requests, GSA must defer to inspection agencies on the issue of need. When the agencies approve the permit, however, they have not been placing the associated project on their “top-ten” list. Because of this, it will be increasingly difficult to begin planning for and developing these projects having Presidential Permit approval, since we must wait until the inspection agencies put the project on their priority list.

This demand for new border station facilities is related to the legislation that was included in GSA’s 1996 conference report, in which GSA is directed to report on the feasibility of leasing border stations from state, local government, and private sponsors for new crossings, in response to NAFTA-generated demand for additional border station facilities. The term of the lease would be limited to a 30-year term, and title would vest in the United States on or before the expiration of the lease contract. The language does not mention the scoring issue.

There are a number of pros and cons to lease-purchase authority for border stations. June Huber, Joe Lawler, Dennis Goldstein, and Karen Miller will be meeting with a professional staffer of Senator Kay Bailey Hutchinson’s (Texas-Republican) office in December. The purpose of the meeting is to primarily discuss GSA’s plans for handling the construction of new stations in light of our funding constraints. PT is primarily interested in this because of the number of cities along the Texas border seeking new or additional bridges, such as Anzalduas, Donna, Port of Brownsville, Laredo IV, and Eagle Pass. Although we will indicate that lease purchase authority would increase our flexibility, we will also emphasize that the Southwest Border Station Capital Improvement Program (SWBSCIP) has provided \$352 million in infrastructure improvements to our entire Southern Border. A GSA/Customs model has estimated that the additional 772 docks to be provided by the SWBSCIP will process 8.4 million northbound trucks annually. In 1995, the U.S. Customs Service processed only 2.856 million. In addition, with NAFTA in mind, we have where possible allowed for future expansion capability. GSA’s argument is that we have more than enough capacity along the Southern Border to accommodate increases in traffic due to NAFTA. GSA’s position, as well as that of our Mexican counterpart agency SECODAM, is to maximize capacity at existing facilities prior to the construction of new ones.

For additional questions, please contact Karen J. Miller,
Border Projects Coordinator, 202-501-1768



Dennis DeConcini Port of Entry
Nogales East

TRAINING: THE AUTOMATED PROSPECTUS SYSTEM

One of the primary tools used by Portfolio Management in the development of the annual capital program to perform any type of economic analysis for the portfolio is The Automated Prospectus Systems (TAPS). Very simply, TAPS is a model that is capable of performing life-cycle or present value cost analysis.

Recently, TAPS was converted to a Windows environment, version TAPS 4.0. New documentation has been completed for this version. Now available are an Executive Summary, a User's Guide, and a Tutorial Guide. For those new to the use of the model, the Tutorial Guide can be used as a self-study text to work through the various analytical alternatives available in TAPS. This documentation will be available for the regions in the near future. Another document that can be of use to TAPS users is one written several years ago entitled "Tips For Taps". This document can be acquired from Central Office.

Two Central Office employees are available for training groups of personnel in economic theory and analysis and in the use of TAPS. For several years, Ellen Parkhurst, PTE, has presented a course entitled "Economic Analysis for Real Property Planning and more recently, Stan Kaczmarczyk, PTM, developed a workshop and workbook on TAPS and the TAPS inputs. Both Stan and Ellen are available to do training and to tailor it to the specific needs of the region. Training can be either theoretical or hands on. Dennis Eisen of Dennis Eisen & Associates, the developer of the model, is also available to do training.

Portfolio Management has many resources both in personnel and written materials to assist in the performance of real estate analysis. New materials and strategies are always being developed too. Thus any regional needs for present value or TAPS training will gladly be accommodated.

For further information or assistance, please contact Ellen Parkhurst (202-501-0876) or Stan Kaczmarczyk (202-208-5868).

**CONGRATULATIONS TO TERRY (CENTRAL OFFICE) AND SAM SANDS, JR. AS THEY CELEBRATE THE BIRTH OF
THEIR SECOND CHILD,**

TORI REBECCA

ROB MACMAHON RECEIVES NATIONAL ATTENTION FOR WORK IN DEVELOPING THE INFOMANAGER INFORMATION SYSTEM

National attention has been focused on Rob MacMahon of the Portfolio Management staff for his work in developing the InfoManager information system. InfoManager is an overall information system for the Portfolio Management staff of the Southeast Sunbelt Region. The project began in the summer of 1993 and continues today. Mr. MacMahon has enabled the region to take the lead nationally in the overall effort to develop the following information tools for our new business line:

- Track Prospectus/Project Data
- Track and Management Environmental Studies and Projects
- Track and Manage Historic Preservation Studies and Projects
- Track and Management Contracts
- View and Analyze General Building Data
- View and Analyze Detailed Assignment Data
- View and Analyze Lease Data
- View and Analyze Income/Expense Data
- View and Analyze Rent/Appraisal Data
- View building Photos
- Run Various Aggregate and Analytical Reports
- Produce Asset Business Plans and Project Briefing Sheets
- Compile Congressional Reports on Inventory and Projects
- Compile Project Housing Plans
- Track Employee Training

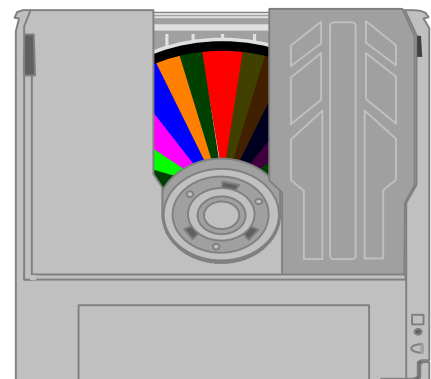
Central Office, in an effort to provide the regions and themselves with an automated way of tracking prospectuses/projects, requested and received a demonstration of the system on June 18, 1995. June Huber, Assistant Commissioner - Portfolio Management, along with members of the Program Support Staff and PT division heads, attended the demonstrations and offered very positive comments about the system and its potential use nationwide. The discussion included installation of the system in the immediate term for Central Office's use for prospectus tracking, further study of the systems other features and their optional applications, and procurement of additional funds for future development.

The exposure has given the region national credibility in the information systems development area and has proven that viable, credible, and useful software products can be developed internally at tremendously lower costs than the private sector can offer. by using Microsoft Access to build InfoManager, future customization and additions are even less difficult to complete. Use of such commercial off-the-shelf software (COTS) is also one of the major initiatives backed by Central Office in the effort to reduce costs.

The program has also been shared with the National Capital Region (NCR) for use in their Portfolio management division and has been customized by them to do a wide variety of project tracking reports. Further cross-regional sharing is planned in the near future. Installation of InfoManager in the Greater Southwest Region is scheduled for mid-August with the hope that expanded testing and use will facilitate a wider variety of improvements and ideas with regard to further process automation.

Future plans include cross-business line discussions on integrating the system with other newly developed database systems. The integrated systems will hopefully someday allow a user to tract and manage GSA properties from beginning to end of their lifecycles.

Mr. MacMahon's efforts to develop the system have provided the Public Buildings Service with a valuable tool for or the management of GSA's portfolio of real property. Similar contractual products would have cost the agency, at a minimum, several hundred thousand dollars and would have taken a considerably longer amount of time for development.





PRICING OF SPACE AND SERVICES



For the past twenty years, PBS has operated with a pricing system based on commercial equivalence. This system has generally provided sufficient funds, not only to operate and maintain the owned inventory and meet rent bills for the leased inventory, but also to fund modernizations and new construction. As long as market prices moved inexorably upward, PBS could rely upon this pricing system to provide for its financial needs. By tying all asset prices to a 5 year appraisal “cycle,” however, the system places the FBF at risk if the market moves, during any given appraisal year(s), markedly downward. The present pricing system is also regarded by many clients as unfair and inflexible, and makes use of a number of mechanisms which are complex, awkward, confusing and inefficient.

A Business Process Reengineering (BPR) Team examined the present pricing system, resolved that any redesign ought to support five principal aims: fairness, simplicity, revenue sufficiency, income stability, and efficiency. In furtherance of these ends, the BPR team recommends that PBS policy be substantially altered, pricing leased space by Occupancy Agreement (OA) as a pass-through of the contract rent plus a GSA management fee; pricing owned space for a specific term, set by OA, at a level market-equivalent rent for the term duration; and replacing the current system of myriad space classifications, which price space through construction ratio multipliers, with tenant construction allowances. The combined effect of these modifications in the pricing of space will be income and client budget stabilization and predictability, the virtual elimination of RENT appeals through client or end-user agreement to rent terms at the inception of an assignment, and the simplification of buildout cost recovery.

The proposed pricing structure creates greater income stability, a key portfolio goal in pricing. Under the proposed pricing structure, revenue for the entire inventory, both owned and leased, is set by occupancy agreements which have staggered start times and varying durations. This staggering means less volatility, in any given year, for FBF income.

The proposed tenant allowance mechanism provides clients with a set dollar amount available for tenant fixtures and finishes; if the client exhausts the allowance, all additional costs must be funded lump-sum by the client. Unlike the current system, if the client uses less than the allowance, the savings are enjoyed by the client because the rent the client pays will be lower. In effect, the proposed pricing policy continues the practice of obliging clients to pay for the resources they consume, but also incents them to save. Sixteen classifications would become four: general purpose, warehouse, parking and unique. Parking would be reported and charged by unit rather than by square foot, to avoid confusion with truly operationally habitable space.

Space charges would be itemized to reflect, separately, a base building rate, operating expenses, a GSA management fee (in leased space), joint use charges, a security surcharge, and the periodic payment amount which represents the amortization of the tenant allowances. Space bills would allow for the electronic billing of both recurring and non-recurring reimbursable services as premium charges.

Appraisals would underpin the pricing of owned space alone, since leased space RENT would be priced by a pass through of contract obligations. For owned space, appraisal guidance would be set for fixed terms of 5 and 10 years, and for three ranges of space sizes, to facilitate appropriate rate setting. Tenants may pay different RENTs within the same building because RENT determination would now be a function of the following assignment-specific variables: size, term, allowance amounts, premium services, and time of OA (market prices then prevailing.) Because GSA determines floor location within a building for any given assignment, no adjustment would be made for floor location or sight amenities in the appraisal of owned space.

Joint use space would be charged, much as any “public good,” on the basis of availability, not on the basis of actual use. A proposed change to present pricing policy is to allow regional Portfolio Managers latitude in distributing joint use charges over a base other than only the building which houses the joint use function(s), as appropriate for the individual circumstance.

Forced move policy would require the forcing agency to fund all costs attendant to the relocation of the displaced agency, including any differential in RENT for the displaced agency's new location until the displaced agency has opportunity to budget for the increase.

Notwithstanding the need for occupancy agreements with set durations for all assignments, the client space cancellation right should remain intact, with notice at 120 days.

While full implementation of all BPR recommendations will require time, some can be enacted immediately, including introduction of occupancy agreements and conversion of pricing and billing for all new single-tenant locations, both leased and owned, to the new method. Others, such as budget projections for existing assignments in leased space by contract pass-through, or owned locations using the new policies, must accommodate the Federal budget cycle and require immediate data identification and notifications within the next few months in order to be incorporated in FY1997 budgets. Still others, notably the flexibility to bill different rates for different assignments in the same building, and the production of a fully itemized bill including both recurring and non-recurring reimbursable charges, are dependent on the development or adoption of a more robust information management system to replace the existing PBS inventory management and billing systems.

The BPR recommendations are now moving through the approval process within GSA, and preliminary presentations to our client agencies are very favorable. Our goal is to implement the changes as soon as possible and as we proceed through implementation, we will continue to make you aware of our progress.

For further information, please contact Pat Dommer, Central Office, at 501-0485.



THE STRAW THAT STIRS THE DRINK: IS MEGA-PROJECTS GROUP THE REGGIE JACKSON OF PT?

At the recent Portfolio Management National Conference, the Mega-Projects Group (PTM) stepped up to the plate at the fall classic and generated a good amount of lively discussion among the attending conferees. The PTM fielded many important questions directed their way, most of whose topics are crucial and integral to both how PTM will play its position and how the Portfolio Management (PT) team is to be assembled and operate when it takes the field.

In its inaugural rookie season, PTM worked with several regional offices (RO) and other central office (CO) groups and customers during pre-development of designated Mega-Projects. In so doing, PTM provided the owner's/Commissioner's perspective to RO staff and increased their awareness of the perspective of other stakeholders, such as OMB and Congress, causing them to modify and improve their proposed projects or products. This was accomplished through reviewing, commenting on, and recommending revisions to many documents prepared by the ROs.

Like any rookie, PTM was constantly tested by veterans, but met each challenge with vigor and increased knowledge of other players and the pitches being thrown. As the past season progressed, the PTM's homers to strikeouts ratio increased dramatically. PTM discovered that the secret to its and the team's success lied in its ability to communicate openly and regularly, not only with GSA's direct customers, but with the many other parties who have a stake in a project.

The PTM soon realized the GSA team's strategy had to take into account its dichotomous role as manager and umpire. These often conflicting roles of customer service provider and regulator must be effectively balanced or GSA will not serve its customer (or ourselves) well by proposing and pursuing the development of projects which are unlikely to be approved. It is essential to recognize certain realities: The funding available for

capital projects is likely to continue to shrink; thus, the competition for available funds will increase. This will result in increasing scrutiny of proposed projects, and the rejection of those which may be perceived to be flawed in some manner.

According to PTM team leader, Lenny Ehn, a.k.a. Mr. October; "We should try to put ourselves in the position of a member of the Central Office Capital Investment Panel, or an OMB examiner, and ask, "Given the many, many requests for spending federal funds, would I recommend appropriating funds for this project?" Thus, before proceeding with the development of a proposed project, we should be doubly certain that the scope is the minimum appropriate; the site is optimum; the housing plan/program is viable and realistic; the costs make good economic sense; and that a well thought-out project management plan has been prepared.

The PTM plans to work hard through the off season and get ready for the opening of the next Capital Improvement and Leasing Program cycle. Conditioning will resume with PTM continuing its role of assisting the regional offices by participating in the very early stages of development of designated projects. This participation will typically involve the review of the regions' evaluation of alternatives, and the review of early drafts (50% or less) of Prospectus Development Studies (PDS). This participation by PTM should assist the regions in developing a project proposal which has a greater likelihood of being approved and funded (referred to as rightsizing) and thus meeting the needs of GSA and our customers.

PTM is also proposing a reengineered Community Plan/Project Approval Process that includes early collaboration/"buy in" of regional and central office staff; a viable alternatives study performed by the National Asset Management Advisor, leading to a mutual agreement on the preferred alternative by regional and central office staff, resulting in the initiation of a PDS; followed by a central office staff review of the 50% PDS submission. Under the proposed process, regional and central office staff have the opportunity to build a consensus on the project's direction early on, thus avoiding unnecessary calls to the bullpen. Regional and central office management "buy in" concurrently after the proposal has been scrubbed somewhat (at the PDS initiation stage). Under this proposed process, the concepts of "approval" and "disapproval" are nonexistent and replaced by agreement and disagreement. If a consensus cannot be reached, the PDS is not initiated.

Contrary to any team rumors, the PTM is a team player, available to assist other team members and welcomes constructive advice and suggestions. PTM does not intend to throw curves, knuckle balls, or spitters; only fast balls down the middle of the plate. PTM is eager to share its pitching chart in the form of a Lessons Learned Table and its new game plan contained in their White Papers. These game books and other information can be obtained from Lenny Ehn, Mega-Projects Executive, on 202-501-1675.



CAPITAL BUDGET FORECAST

by McDoom

For those of you who question whether the glass will be half full or half empty, GSA's recently enacted FY 96 appropriations bill seems to chart the course. We asked for \$1.022 billion for new construction; we received \$545 million, or 53 percent. We asked for \$911 million for repairs and alterations; we received \$637 million, or 70 percent. Next fall, we may look back at FY 96 with some degree of fondness as a very good year. It may not get any better than this!

What about the OMB passback, you say. What about it? I haven't seen it, have you? If and when we do see it, and we may not if the President and the Congress fail to reach agreement on the overall FY 96 budget, expect the FY 97 budget request to contain partial funding for the repairs and alterations program and the very real possibility of zero funding for new construction. What should we do about this gloomy prospect? Plan for the



future! As is said of kidney stones: “this too shall pass.” Looking for guidance on how to plan? Stay tuned, the final version of the CILP call tells all!

BILL WYRICK JOINS PTE STAFF

Bill Wyrick comes to PTE from the Office of Commercial Broker. During the past year he had been working closely with PTE on the Pricing BPR Team, the Border Station Task Force, and the Budest 97 group. Bill previously served for five years as the Director of the Appraisal Staff in the Office of Real Property Development, where he spent most of his time working with the Rent program. So the move to PTE was “a natural.”

An honor graduate of TCU in Ft. Worth, Bill began his career in 1959 as a contract appraiser



for lending and condemning agencies in Texas. A market downturn prompted his move to the New Mexico DOT in Santa Fe. Bill began his life as a Fed with BIA in Gallup in 1972. He soon moved on to a realty specialist position with Federal Highways in Columbus, Ohio. FHWA’s “mobility” policy dictated a move to DOT Headquarters in Washington where he spent 12 years reviewing appraisals and acquisition functions on controversial projects (e. g., Century Freeway in Los Angeles) before coming to GSA.



FINE ARTS UPDATE

ANNUAL ART INSPECTION IS COMING !

In January 1996 we will begin the distribution of art inspection forms for 1996. Inspection forms include all Fine Arts and Art-in-Architecture works of art and will be arranged by region and associated building. A cover report for each building will accompany all inspection forms and will contain available cyclic maintenance instructions for artwork within that building. This is an effort to provide cyclic maintenance information to regional Fine Arts Officers and to building managers on a consistent basis, in order to reduce eventual conservation. The 1995 Art Inspection was not conducted due to the reorganization. The annual art inspection helps determine conservation priorities for the coming year. Your continued assistance in this effort is appreciated.

CONSERVATION

Utilizing Central Office funds from the outleasing of historic buildings, two conservation projects were recently completed:

- ☐ *Services of the Civil War* by Caspar Buberl, interior plaster panels, Pension Building, Washington DC
- ☐ 23 paintings from the WPA, Central Office, Washington DC

Current conservation projects include:

- ☐ *Nation As Sovereign Power & Providence As Independent Thought* by J. Massey Rhind, U.S. Courthouse, Providence, Rhode Island
- ☐ *One, Two, Three* by Sol LeWitt, James M. Hanley Federal Building, Syracuse, New York
- ☐ *Restaurant* by George Segal, Dulski Federal Building, Buffalo, New York
- ☐ *Mirror Image* by Robert Graham, U.S. Federal Building & Courthouse, San Jose, CA
- ☐ *Excalibur* by Beverly Pepper, U.S. Federal Building & Courthouse, San Diego, CA
- ☐ *River Legend* by Dimitri Hadzi, Green-Wyatt Federal Building, Portland, Oregon
- ☐ *"Come Sunlight After the Rain to Bring Life Out of the Earth"* by Peter Hurd, U.S. Federal Building, Alamogordo, New Mexico
- ☐ *Texas Rangers In Camp and Taking of Sam Bass* by Frank Mechau, U.S. Courthouse, Ft. Worth, Texas
- ☐ *San Antonio's Importance In Texas History* by Howard Norton Cook, U.S. Post Office/Courthouse, San Antonio, Texas
- ☐ *Rebellion of 1860* by Loren Mozley, U.S. Federal Building, Albuquerque, New Mexico
- ☐ *Bauxite Mining* by Julius Woeltz, U.S. Federal Building, Benton, Arkansas
- ☐ *Pocahontas Rescuing John Smith* by Paul Cadmus and *Stuart's Raiders at the Swollen Ford* by Jared French, U.S. Courthouse, Richmond, Virginia
- ☐ *Baltimore Federal* by George Sugarman, Garmatz Federal Building & U.S. Courthouse, Baltimore, MD
- ☐ *Baltimore Project* by Richard Fleischner, SSA Computer Center, Woodlawn, MD



EXHIBITS

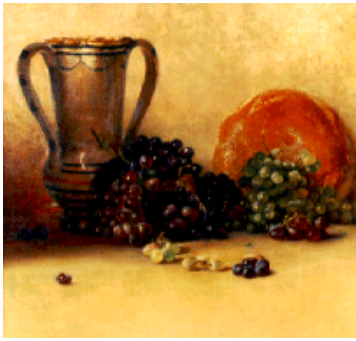
Central Office produced a few new exhibits which are available for loan (along with other exhibits) to your regional office, local museum, or university.

and influenced by the Ecole des Beaux-Arts in Paris France, in GSA's Fine Arts Collection.



BEAUX-ARTS IN AMERICA
June 28 - August 7, 1995

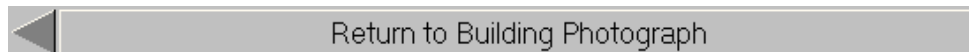
An exhibit highlighting a selection of works of art created from 1880-1920



THE AMERICAN SCENE,
1933 - 1942
September 17 - Nov. 25, 1995

The Athenaeum, Alexandria, VA .
A selection of works from the Works
Progress Administration (WPA) in
GSA's Fine Arts Collection.

ART AND ARCHITECTURE ON INTERNET!



U.S. Custom House
1-3 East Bay Street
Savannah, GA 31402

Architect: Norris, John S.
Constructed: 1852
Nat'l Register ID #: 74000666
GSA Building #: GA0076ZZ

Images and data for 863 historic buildings, 2,270 works of art from the Fine Arts Collection in GSA buildings, and 173 Art-in-Architecture installations are available through GSA's Home Page on the INTERNET. The INTERNET address is:

<http://www.gsa.gov/pbs/pt/pts/cultural.htm>

LOG ON AND LEARN!

Please call Alicia Weber on 202-501-1554 for further information on the Fine Arts Program.



PORTFOLIO MANAGEMENT'S FORM INITIATIVE

by Kevin Kampschroer

I had hoped , when we embarked on FORM, that I would be writing about the final results by now. I am an optimist. Only Property Management has completed FORM as far as getting an 'attestation letter' from Arthur Anderson. [Other business lines outside of PBS have also.] That is really jumping into the subject in the middle.

We've been sending out weekly status reports; we've discussed FORM progress, ideas, and tentative results in the bi-weekly conference calls. Three regions are reviewing a preliminary draft of the FORM Report. I hope that the information has been both useful and informative.

Our FORM report will show that Portfolio Management was formed very much using the best ideas from both corporate and investment real estate Portfolio Management. Experts in the industry who have read our Business Design Document all say that it says the right things. The Industry Roundtable confirmed that we are on the right track. [We have complete notes from the Roundtable available, and in the Report.]

The FORM Report will go further than design, and (1) benchmark our costs against industry costs; and (2) compare our 'base case' with other structural options, such as a government corporation.

Our preliminary conclusions show that Portfolio Management should be, and in corporate America almost always is, kept tightly associated with the ownership of the assets, not outsourced. There are some opportunities for contracting that we have not generally exploited, and the contract services are also generally more expensive than PBS performance. Qualitatively, we are doing what others do, or recognize they should. In corporate real estate, we are in many ways close to "best in class".

I'd like to take this opportunity to thank all the people who have, and continue to, work on the FORM analysis (yes, this *is* what happened to Bob):

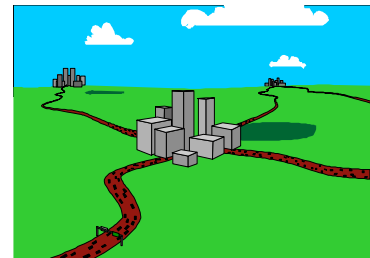
Bob Nawrocki
Liz Gibson
Derek Gourdine
Mike Mulloy
Stephen Rasmussen
Rhodehamel
Lisa Blanchard

Nancy Hall
Doug Alspach
David Kelly
Vera Broadnax
Pat Dommer

Debra Weissman
Kay Mucha
Brian Spurlock
Mike Wootten
Susan Von Raab

Mitra Nijad
Alicia Weber
Phil Winter
Bill Wells
Kim

A MESSAGE FROM KEVIN



The first year of Portfolio Management has a tumultuous one for me personally, and I hope that it has for everyone else. I remember a few years ago, while arguing with those.....in Central Office about some silly new policy, that I quoted the old phrase, "If it ain't broke, don't fix it." Driving to work the next day, I heard Tom Peters' 10 resolutions for corporations that wanted to survive into the 90's. Resolution number 5 was: "If it ain't broke, fix it anyway. Your competitors are already working on a better way of doing what you do." It made me think; and made me a lot less complacent.

We have been working on a dizzying number of business process matters in this first year. While I am going to talk about the things underway, I'd also like to share my perspective on business process re-engineering. First, my bias: I have fun doing it. Being able to "think out of the box", solve nagging problems that we've all

suffered with for years, having permission to try new ideas that might even fail: this is a different environment for PBS and GSA. Re-engineering will produce changes--some of which will even be difficult to get used to. We will be asking our colleagues in the service lines to do things that may seem exciting, risky, uncomfortable, overdue, and more. Our challenge will be to keep innovation alive. Business re-engineering is different from total quality management, because in re-engineering we are looking for the breakthrough ideas, the radical changes that make dramatic improvements; TQM works at continual improvement. One cannot re-engineer the same processes continuously, we have to let the processes work, apply TQM, and measure the results. There are a lot of processes, though. I don't foresee any lessening of the demands placed on us to continue to look at the next set of processes, and the next. We may have tackled pricing successfully, so we move on to community planning and investment proposals. I don't think there is an end in sight, nor do I think there will ever be one. Even though it is over stated, it is still true that the constant in modern business is change. In many ways, that is what Portfolio Management is all about, being the catalyst for change. It is what makes Portfolio Management valuable, exciting and rewarding.

Pricing of Space and Services

This Team deserves kudos from all of us. They really worked hard, and the result shows it was worthwhile. You have all seen the BPR Team's report--and if you haven't I'll send you a copy. Reaction from top management and customers has been overwhelmingly positive. One comment: "the best thinking I've seen in 20 years" (David Bibb). Pat Dommer and Linda Eastman co-chaired the Team; Rob Hewell and Ron Kendall were the principal editor-authors of the report.

Next steps are to obtain the support of the CFO and the Administrator; the concurrence of OMB, and the informed consent of the appropriate Committees of Congress. We will need lots of help from our colleagues in the business lines, all of them, to make it all work. Our goal is to get the OMB approval in mid-January, and aim for FY97. Now that's ambitious!

Information Needed for Portfolio & Asset Management

Liam Murphy took over leadership of this Team from Bob Nawrocki in the Great Lakes Region. [I'm not sure what happened to Bob....] In this BPR, we are trying out the software *REAL Power*, developed in conjunction with GE Capital. Trammel Crow also uses it. It is designed to gather up data from a variety of sources, and facilitate analytical work. The Team has just completed the first transfer of data, from all the old PBS systems, and from NEARS. This will be the first time PBS has had anything like comprehensive financial data integrated with program data.

Capital Investment Strategy

June has been leading this high level Team (June, Jim Whitlock, Wolfgang Zoellner, David Bibb & Tony Costa). Their goal is appropriately sky high: forge an agreement among GSA, OMB and Congress that makes clear what capital investments will be ultimately successful (i.e., be funded & built). That way we can be much more selective about the work we pursue, and have a greater chance of success when we've spent time and money developing an investment proposal. This is critical if the concept of EPDS is to have any possibility of success. The first result from this Team's work is the generally well received SCAMP (Strategic Capital Asset Management Plan), a multi-year look into the future that puts the individual projects (investments) into an overall perspective.

Others

Rather than talk about them all, the following will receive some attention in future newsletters, probably from people on the Teams. They are listed with Portfolio's primary 'point person':

Financial Information about Customers & Billing [PROMPT]	Bob Shaw <i>or</i> Amy Cheng	215.656.5900 202.208.6918
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Occupancy Agreements	Tim Timberlake	415.774.5515
Community Plans & Capital Investment Proposals	Ted Davis	202.501.0638
Capital Investment Decision Making [BTA; FACE FACTS]	Amy Cheng	202.208.6918
Under-Performing Assets	Phil Winter	202.208.5555
Site Acquisition	Lander Allen	202.708.5334



THE OFFICE OF PORTFOLIO MANAGEMENT WISHES ALL TO SHARE A SAFE AND HAPPY HOLIDAY SEASON.

The Portfolio Manager is a newsletter published by Derek Gourdine, Portfolio Analysis and Performance Division, PTE, Central Office. We are looking to showcase the many activities and accomplishments of PBS PT nationwide and thus improve communication among all Asset Managers in PBS. For future editions, please submit articles, suggestions, dates of interest to Derek Gourdine for consideration.
